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THE WOOL SITUATION

Summary

Domestic wool prices in September advanced to the highest levels since early 1937. Principal factors in the sharp advance which followed the outbreak of the European War, the Bureau of Agricultural Economics reports, were the relatively small supplies of wool on hand in this country, the uncertainty of obtaining supplies from Southern Hemisphere markets in the near future, and the increase in foreign demand for wool as a result of war. Sales of wool on the Boston market declined in the latter part of September but prices were generally maintained through the first week of October.

The weekly rate of mill consumption of apparel wool in the United States in August was 12 percent higher than in July and was the highest rate reported since March 1937. Consumption in the first 8 months of this year was about 50 percent larger than in those months last year and was almost 20 percent larger than the 8-month average for the 10 years 1928-37. The building up of inventories of manufactured goods may have been an important factor in maintaining mill consumption at recent high levels.

In view of prospects for further improvement in business conditions in the fall and winter months, domestic mill consumption of wool is likely to continue at a fairly high level during the remainder of 1939.

The increase in mill consumption in 1939 has been accompanied by larger imports. Imports of apparel wool totaled 49 million pounds in the first 8 months of 1939 compared with 15 million pounds in the same months last year. Because stocks of wool in the United States are now relatively small and mill consumption is expected to continue at a fairly high level, a considerable increase in imports of apparel wool may occur before the 1940 domestic clip becomes available.

Wool production in Australia in 1939-40 is now estimated at 1,005 million pounds, an increase of 2 percent over last year's production. The estimated increase in production, however, is more than offset by a decrease in carry-over from a year earlier. Total Australian supplies for the 1939-40 season will be about 2 percent smaller than in 1938-39 but 1 percent larger than the average for the preceding 5 seasons.

Domestic Situation

Prices advance in September to highest level since 1937

Domestic wool prices advanced to the highest levels since 1937 following the outbreak of the European War in September. The relatively small supplies of wool on hand in this country, the uncertainty of obtaining supplies from Southern Hemisphere countries in the near future and the increase in foreign demand for wool as a result of war were the principal factors in the September price increase.

Sales were large in the early part of September, but declined in late September and the first few days of October. The September price advances, however, were fairly well maintained through the first week of October.

The price of fine staple combing territory wool at Boston averaged $1.12 a pound, scoured basis, in the last week of September, compared with 74 cents for the last week of August and a high of $1.14 a pound in the early months of 1937. Territory 3/8 blood combing wool averaged 96 cents a pound, scoured basis, in the last week of September, 61 cents in the last week of August and $1.00 a pound in early 1937.

Country packed mixed grade lots of 3/8 and 1/4 blood bright fleece wools sold at 47-48 cents a pound, grease basis, at Boston in the week ended September 30 compared with 32-33 cents a month earlier. The United States average price of wool received by farmers on September 15 was 24.3 cents a pound compared with 22 cents on August 15 and 19.1 cents on September 15, 1938. Most of 1939 domestic clip had been sold prior to early September, and prices received by farmers as of September 15 did not reflect fully the sharp rise in market prices for wools during the first 2 weeks of September.

Wool imports continue larger than in 1938

United States imports for consumption of apparel wool totaled 4.6 million pounds in August compared with 5.6 million pounds in July and 3.2 million pounds in August 1938. Imports of apparel wool totaled 49 million pounds in the first 8 months of 1939 compared with 15 million pounds in the same months of 1938 when domestic mill consumption was at a low level. Imports averaged about 58 million pounds for those months in the 5 years, 1933-37.

Because stocks of wool in the United States are now relatively small and mill consumption is expected to continue at a fairly high level, a considerable increase in imports of apparel wool may occur before the 1940 domestic clip becomes available.

Imports for consumption of carpet wool totaled 97 million pounds in the first 8 months of 1939 compared with 27 million pounds in the same months of 1938 and an average of 90 million pounds for those months in the 5 years, 1933-37. The sharp increase in imports compared with 1938 reflects the increase in domestic mill consumption thus far in 1939.

Receipts by grade and origin

More than one-third of arrivals of foreign apparel wool at United States ports in the first 8 months of 1939 were fine wools from Australia. Wools "not finer than 40s" imported chiefly from Argentina constituted the second largest item in imports classified by grade and origin. Total receipts of foreign apparel wool at 3 important United States ports in the first 8 months of this year are shown by origin and grade groups in the accompanying table. Such receipts include wool imported for immediate consumption plus wool entered into bonded warehouses for later disposal and are not comparable with statistics of imports for consumption given above.

Receipts of foreign apparel wool at Boston, New York and Philadelphia, by origin and grade, January through August 1939 1/

Origin	Not finer than 40s 2/	40s to 44s	46s to 56s	Finer than 56s	Total
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Argentina	12,542	308	897	330	14,077
Australia	138	1	50	18,543	18,732
Canada	109	104	341	63	617
Great Britain and Ireland	789	156	942	161	2,048
New Zealand	3,173	1,863	2,449	13	7,498
South Africa	---	---	3	660	663
Uruguay	685	1,606	3,392	389	6,072
All other	834	53	571	45	1,503
Total	18,270	4,091	8,645	20,204	51,210

Statistics compiled by the Boston office of Agricultural Marketing Service from importers' declarations.

1/ Includes subports of Massachusetts and other New England ports.

2/ Apparel class wool "not finer than 40s" may be imported free of duty if used for floor coverings, press cloths, knit or felt boots, or heavy fulled lumbermen's socks. In the last 5 years about one-fifth of the imports of such wool have been duty free.

Mill consumption increases seasonally in August

The weekly rate of mill consumption of apparel wool in the United States was 6,177,000 pounds, scoured basis, in August compared with 5,498,000 pounds in July. The increase in consumption in August was slightly larger than the average increase from July to August in the last 10 years. The August rate of consumption was 7 percent higher than that of August 1938 and was the highest rate reported since March 1937.

Domestic mill consumption on a grease basis, in the first 8 months of this year was equivalent to 343 million pounds of shorn wool and 53 million pounds of pulled wool. The consumption from January through August was about 50 percent larger than in those months last year and was almost 20 percent larger than the 8-month average for the 10 years 1928-37.

While mill consumption has been large in the last year, consumption had declined to a low level in late 1937 and the first half of 1938 and stocks of semi-manufactured and manufactured goods were greatly reduced. The building up of inventories of such goods probably has been an important factor in maintaining mill consumption at recent high levels. In view of prospects for a further improvement in business conditions in the fall and winter months, mill consumption of wool is likely to continue at a fairly high level during the remaining months of 1939.

Domestic supplies below average

On September 1 total stocks of wool in the United States were much smaller than a year earlier and below the 5-year (1933-37) average. Mill consumption of apparel wool in the 12 months ended March 31, 1939 exceeded domestic production and imports by more than 50 million pounds. Stocks of apparel wool in the United States at the beginning of the 1939 season on April 1 were much smaller than a year earlier. Imports of wool from April through August 1939 were larger than in the corresponding months of 1938, but the increase in mill consumption was greater than the increase in imports.

Production, imports and mill consumption of apparel wool, grease basis, in the United States, annual 1935-38, and April to August 1938 and 1939

Year beginning April 1	Production	General imports 1/	Mill consumption
	Mil. lb.	Mil. lb.	Mil. lb.
1935-36	431	83	2/ 673
1936-37	427	164	582
1937-38	433	60	407
1938-39	436	49	3/ 544
Apr.-Aug. 1938	4/ 436	7	189
" " 1939	4/ 440	30	247

Imports from the Bureau of Foreign and Domestic Commerce. Consumption from the Bureau of the Census.

1/ Weight as reported, greasy, scoured and skin wool added together.

2/ Stocks of apparel wool in the United States were large at the beginning of 1935.

3/ Bureau of the Census figure adjusted to 52-week basis.

4/ Production for entire year. Figure for 1939 includes pulled wool estimate equal to 1938 production of pulled wool.

Foreign Situation

South Africa wool sales

The first sales of the 1939-40 wool selling season in the Southern Hemisphere were held in the Union of South Africa in the first week of October. Prices of warp 64s wool at Port Elizabeth were on the basis of about $1.00 a pound, clean basis, duty paid, landed at Boston, according to reports to the Boston Commercial Bulletin. French combing 10-12 months wools were quoted at 96-98 cents, on a similar basis. It is reported that American representatives bought fairly large quantities of wool at the sales. It was stated that sales would continue through October.

It has been announced that the British Government will purchase a considerable percentage of the 1939-40 South African clip at a price approximating the price to be paid by that Government for Australian wool. English buyers took about one-fifth of the wool exported from the Union of South Africa in the 1938-39 season.

The barter agreement with Germany for the 1939-40 season has been cancelled by the South African Government. In the last two seasons about 36 percent of the total exports from the Union of South Africa went to Germany as a consequence of the clearing arrangement between the two Governments.

Wool production in the Union of South Africa in 1939-40 is likely to be from 3 to 6 percent larger than that of 1938-39 according to a reliable commercial source. The 1938-39 production was estimated at 248 million pounds.

Prices higher in South American markets

The strong demand for crossbred wools in recent months resulted in an excellent clearance of the 1938-39 clip in Argentina and Uruguay. The wool markets were seasonally quiet in August but in September a strong demand was reported on such wools as were available. Reports to commercial firms after the middle of September indicated that prices of wool were 40 to 50 percent higher than prices quoted in August. United States buyers were reported to be buying actively.

The new season in South America opened officially on October 1 but new clip wool is not usually available in any considerable quantity before November.

1938-39 South American exports largest in recent years

Exports from Argentina and Uruguay for the first 11 months (October-August) of the 1938-39 season were 33 percent larger than in the same months of the previous season and were larger than exports in any recent year. Exports from Argentina for the 11 months through August were 30 percent above the corresponding period of 1937-38 while exports from Uruguay were 41 percent larger.

Wool exports from Argentina and Uruguay, specified periods, 1932-39

Year beginning October 1	Argentina 1/	Uruguay	Total
	Mil. lb.	Mil. lb.	Mil. lb.
1932-33	356.0	115.0	471.0
1933-34	283.3	95.3	378.6
1934-35	328.4	118.9	447.3
1935-36	303.0	114.1	417.1
1936-37	314.5	121.7	436.2
1937-38	291.7	92.7	384.4
Oct.-Aug.(11 months) :			
1937-38	279.4	87.4	366.8
1938-39 2/	364.6	123.0	487.6

Argentina: Official estimates from Argentine Bureau of Statistics.
Uruguay: Commercial estimates supplied by the Buenos Aires office of the U. S. Foreign Service.
1/ Scoured and washed wool converted to a grease basis. 2/ Preliminary.

Larger Australian wool production in 1939-40

Wool production in Australia in 1939-40 is now estimated at 1,005 million pounds according to the Imperial Economic Committee of the United Kingdom. This estimate is based on an indicated increase of 2 percent in production in 1939-40 compared with 1938-39. Revised estimates of the Australian Bureau of Census and Statistics place the 1938-39 production at 985 million pounds and production in 1937-38 at 1,023 million.

The estimated increase in production in Australia is more than offset by a decrease in carry-over from a year earlier. Available supplies for the 1939-40 season will be about 2 percent smaller than for the 1938-39 season but 1 percent larger than the average for the preceding 5 seasons. As reported in the September Wool Situation, the British Government will purchase the entire Australian clip for 1939-40. Private sales of wool and wool tops are prohibited.

Australia: Wool production, carry-over at selling centers and supply for disposal, 1933-39

Season beginning July 1	Production	Carry-over at selling centers	Supply for disposal
	Mil. lb.	Mil. lb.	Mil. lb.
1933	996	13	1,009
1934	1,015	64	1,079
1935	971	28	999
1936	983	23	1,006
1937	1,023	14	1,037
Average	998	28	1,026
1938 1/	985	71	1,056
1939 1/	1,005	34	1,039

Compiled from official sources and reports of the National Council of Wool Selling Brokers.
1/ Preliminary.

Prices of wool and textile raw materials in the United States, specified periods, 1937-39

Item	Average		High 1937	1938 Sept.	1939		
	1937	1938			July	Aug.	Sept.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Boston market							
Territory, scoured basis							
64s,70s,80s (fine) staple	101.9	70.4	114.0	70.0	71.9	74.0	89.8
56s (3/8 blood) combing	87.1	58.9	100.5	59.0	60.4	61.0	84.9
46s (Low 1/4 blood)	72.1	52.4	84.0	53.0	54.5	56.0	76.1
Bright fleece, greasy							
64s,70s,80s (fine) delaine	40.9	29.0	47.0	30.0	29.5	29.5	39.5
56s (3/8 blood) combing	43.7	29.5	53.0	30.5	32.1	32.5	43.8
46s (Low 1/4 blood)	39.7	28.3	47.0	30.0	31.5	32.5	41.9
Farm price, greasy 15th of month	32.0	19.1	33.2	19.1	21.8	22.0	24.3
Textile fibers							
Wool, Terr. fine staple 1/	101.9	70.4	114.0	70.0	71.9	74.0	98.8
Cotton 7/8 Middling 2/	11.22	8.58	14.15	8.10	9.37	8.98	8.88
Silk, Japanese 3/	186.0	170.6	205.1	175.9	264.8	264.1	299.3
Rayon yarn, 150 denier 4/	62.2	52.2	63.0	51.0	51.0	51.0	51.5

Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Scoured basis, Boston market.
2/ Average at 10 markets.
3/ White 13-15 denier, at New York, Bureau of Labor Statistics.
4/ Domestic yarn, first quality, Bureau of Labor Statistics.

United States: Wool imports, consumption and machinery activity, specified periods, 1937-39

Item	1937	1938	Jan. - Aug. 1938	Jan. - Aug. 1939	Aug. 1938	July 1939	Aug. 1939
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption actual weight: 1/							
Apparel	150,160	30,811	14,685	49,008	3,202	5,596	4,610
Finer than 40s	126,601	18,443	8,740	33,735	1,382	3,375	3,294
Not finer than 40s	23,559	12,369	5,945	15,273	1,820	2,221	1,316
Carpet, including camels hair	172,091	71,908	26,560	96,906	6,399	8,268	11,901
Consumption, scoured basis: 2/							
Weekly average -							
Apparel	4,772	4,143	3,489	5,294	5,784	5,498	6,177
Carpet	2,023	1,225	935	1,897	1,506	1,597	2,401
Aggregate-							
Apparel	248,121	219,565	122,127	185,279	23,136	27,489	24,707
Carpet	105,197	64,945	32,724	66,397	6,025	7,984	9,604
Machinery activity 2/							
Hours operated per machine in place 3/							
Worsted combs	46.1	39.5	33.8	48.6	55.8	51.0	54.8
Worsted spindles	32.9	26.6	21.6	36.7	32.3	33.7	37.2
Woolen spindles	43.1	30.6	27.0	37.9	40.6	41.3	43.1
Woolen and worsted looms-							
Broad	39.0	28.0	24.6	39.3	34.3	41.1	39.7
Narrow	20.4	10.5	9.7	11.1	11.7	10.5	12.3
Carpet & rug looms-							
Broad	28.6	18.8	19.3	35.0	24.7	29.1	38.0
Narrow			13.9	22.0	17.4	18.2	22.8

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.
2/ Figures for August based on 4 weeks, July on 5 weeks, January to August, 35 weeks: 1938 totals based on 53 weeks. No adjustment made for holidays.
3/ "Weekly average hours operated per machine or spindle in place" will take the place of "percentage of maximum single shift capacity" previously reported. The percentage of single shift capacity (40 hours) may be obtained by dividing the above figures by 40.

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